

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-01 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04  
SIL-01 OMB-01 DOE-15 SOE-02 EA-12 IO-14 NEA-11  
ICA-20 OPIC-06 AGRE-00 SS-15 DODE-00 PM-05 H-02  
L-03 NSC-05 PA-02 AF-10 ARA-14 /189 W  
-----115490 161958Z /70

R 161815Z MAY 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 6559  
INFO ALL EC CAPITALS

UNCLAS SECTION 01 OF 02 BRUSSELS 09316

USEEC, PARIS ALSO FOR USOECD

E.O. 11652: N/A  
TAGS: EAID, ETRD, EEC  
SUBJ: EC COMMISSION PRESIDENT JENKINS SPEAKS OUT ON  
DEVELOPMENT COOPERATION IN THE CONTEXT OF INTERDEPENDENCE

REF: STATE 109992

1. SUMMARY: IN A FORMAL LECTURE AT OXFORD UNIVERSITY  
MAY 5, EC COMMISSION PRESIDENT JENKINS DISCUSSED THE NEED  
FOR A NEW APPROACH TO DC-LDC RELATIONS, ONE BASED ON  
PARTNERSHIP TO HELP PROMOTE RECOVERY FROM THE PRESENT  
WORLD ECONOMIC SLUMP. WHILE JENKINS' MAIN SUGGESTION  
WAS THAT SATIATED EFFECTIVE DEMAND IN THE INDUSTRIALIZED  
WORLD CAN, AND SHOULD, BE SUPPLEMENTED BY MEASURES TO  
STIMULATE THIRD WORLD DEMAND FOR MANUFACTURED GOODS  
PRODUCED IN THE OECD COUNTRIES THEREBY ELIMINATING SOME  
OF THE SLACK ECONOMIC CAPACITY, THE SPEECH, WHILE  
ELOQUENT, WAS LONG ON ANALYSIS BUT SHORT ON CONCRETE  
RECOMMENDATIONS FOR IMPLEMENTING SUCH A STRATEGY. END  
SUMMARY.

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2. EC COMMISSION PRESIDENT JENKINS WAS INVITED TO DELIVER  
THE CYRIL FOSTER LECTURE AT ST. ANTHONY'S COLLEGE, OXFORD,  
MAY 5. HE CHOSE THE TITLE "EUROPE AND THE THIRD WORLD:  
THE POLITICAL ECONOMY OF INTERDEPENDENCE." A COPY OF  
THE SPEECH HAS BEEN MADE AVAILABLE TO THE MISSION. IN  
HIS LECTURE JENKINS DISCUSSED THE EVOLVING PATTERN OF

RELATIONS BETWEEN THE INDUSTRIALIZED COUNTRIES AND THE LDC'S, ARGUING THAT CERTAIN RELATIVELY "NEW" WORLD ECONOMIC REALITIES REQUIRE A FRESH APPROACH TO THE NORTH-SOUTH DIALOGUE--BASED ON A MUTUALLY ADVANTAGEOUS DC-LDC PARTNERSHIP. IN A RINGING EXHORTATION, JENKINS REMINDED HIS AUDIENCE THAT "SOMEHOW WE HAVE TO TURN THE PRESENT GIRDLE OF CONSTRAINT--BY WHICH THE DEVELOPING WORLD IS HELD BACK BY SLUGGISH GROWTH IN THE DEVELOPED WORLD, WHILE THE DEVELOPED WORLD IS UNABLE TO START GROWING AGAIN UNTIL DEMAND IS INCREASED IN THE DEVELOPING WORLD--INTO A SPIRAL OF OPPORTUNITY IN WHICH INCREASING DEMAND IN THE DEVELOPING WORLD STIMULATES INCREASING DEMAND IN THE DEVELOPED WORLD, AND VICE VERSA." JENKINS ASSERTED THAT ECONOMIC RECOVERY REQUIRES AN HISTORIC NEW IMPETUS TO GROWTH WHICH SHOULD COME, IN PART, FROM THE ESTABLISHMENT OF ECONOMIC AND MONETARY UNION (EMU) WITHIN THE EC. "BUT," HE CONTINUED, "I DO NOT BELIEVE THAT MONETARY UNION WOULD BE ENOUGH. WE ALSO NEED TO MAKE A SUSTAINED AND DETERMINED EFFORT TO RAISE WORLD-WIDE DEMAND BY INCREASING THE PURCHASING POWER OF THE DEVELOPING COUNTRIES--MUCH AS MARSHALL AID RAISED WORLD-WIDE DEMAND BY INCREASING THE PURCHASING POWER OF WESTERN EUROPE A GENERATION AGO."

3. THE FOREGOING VIEW IS BASED ON THE FOLLOWING TWIN "REALITIES", ACCORDING TO THE COMMISSION PRESIDENT:  
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(A) THERE IS NO HOPE OF RESTARTING THE ENGINES OF ECONOMIC GROWTH UNLESS THE INDUSTRIAL COUNTRIES ARE PREPARED TO MAKE SOME FUNDAMENTAL CHANGES IN POLITICAL, SOCIAL AND ECONOMIC ARRANGEMENTS; AND (B) KEYNES' DISCOVERY THAT THE KEY TO INCREASED EMPLOYMENT LIES IN INCREASED DEMAND IS VALID AT THE WORLD LEVEL, BUT NO LONGER ON THE NATIONAL PLANE. IF ONE ACCEPTS THE LATER PREMISE, THEN THE RELATIONSHIP BETWEEN THE DEVELOPING COUNTRIES AND THE INDUSTRIALIZED WORLD MUST, IN JENKINS' VIEW, BE SEEN IN A NEW WAY: "IT IS NO LONGER A QUESTION OF OUR HELPING THEM. IT IS A QUESTION OF OUR TAKING URGENT ACTION, IN PARTNERSHIP WITH THE DEVELOPING COUNTRIES, TO HELP BOTH PARTIES AT THE SAME TIME."

4. TO DO THIS, THE SPEECH CONTINUES, BOTH SIDES IN THE NORTH-SOUTH DIALOGUE MUST FIRST ADJUST OLD ATTITUDES AND ASSUMPTIONS TO THE NEW REALITY ALREADY MENTIONED. THIS MEANS THAT EUROPE CANNOT IGNORE THE EXISTENCE OF LDC ECONOMIC COMPETITION FOREVER, DESPITE CERTAIN "TRANSITIONAL" MEASURES, SUCH AS GATT MULTIFIBRE ARRANGEMENT, TO PROTECT PARTICULARLY VULNERABLE SECTORS IN THE EC-9 ECONOMY. EQUALLY, THE "SOUTH" MUST RECOGNIZE

THAT ONE OF THE MAIN SOURCES OF GROWTH IS INVESTMENT AND  
THAT THE PRESENT AND FUTURE LEVEL OF WORLD PROSPERITY  
IS THREATENED BY UNDER INVESTMENT IN MINING IN THE LDC'S.  
SECOND, THE PROCESS OF DC-LDC DISCUSSION MUST TURN FROM  
"CONFRONTATION" TO IDENTIFYING AREAS OF MUTUAL INTEREST  
(E.G., TRADE LIBERALIZATION, ENERGY SUPPLY AND DEMAND,  
FOOD SECURITY, COMMODITIES, RESEARCH AND TECHNOLOGY,  
CAPITAL FLOWS AND INVESTMENT, WORLD MONETARY MANAGEMENT,  
AND DEVELOPMENT COOPERATION) AND TO ACTING UPON THEM.  
ACCORDING TO JENKINS, WHILE IT IS NOT POSSIBLE AT THIS  
STAGE TO OUTLINE PRECISE POLICIES TO COPE WITH SUCH  
ISSUES, A BASIC GUIDING PRINCIPLE SHOULD BE THAT THE  
PRESENT "RICKETY STRUCTURE OF INTERNATIONAL BORROWING  
AND LENDING" IS OUTMODED. THE IMBALANCE, IN OTHER WORDS,  
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INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-01 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04  
SIL-01 OMB-01 DOE-15 SOE-02 EA-12 IO-14 NEA-11  
ICA-20 OPIC-06 AGRE-00 SS-15 DODE-00 PM-05 H-02  
L-03 NSC-05 PA-02 AF-10 ARA-14 /189 W  
-----115505 161959Z /70

R 161815Z MAY 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 6560  
INFO ALL EC CAPITALS

UNCLAS SECTION 02 OF 02 BRUSSELS 09316

BETWEEN THE LDC'S NEED FOR LONG-TERM CREDITS TO FINANCE  
THEIR DEVELOPMENT AND OPEC COUNTRIES' INSISTENCE ON  
PUTTING THEIR MONEY INTO SHORT-TERM PAPER EXERTS A  
"HEAVY DEFLATIONARY PRESSURE ON THE WORLD ECONOMY."  
THEREFORE, FIRST POINT ON THE AGENDA OF THE RESUMED  
NORTH-SOUTH DIALOGUE, JENKINS CONCLUDES, IS THE NEED TO  
OFFER OPEC A SATISFACTORY, INFLATION PROOF RATE OF RETURN

FOR ITS MEMBERS' ASSETS, ALTHOUGH HE DOES NOT SPECIFY  
HOW THIS MIGHT BE DONE.

5. COMMENT: WHILE JENKINS' LECTURE (A COPY OF WHICH IS  
BEING POUCHED TO EUR/RPE-MCLEAN) IS AN ELOQUENT STATEMENT  
OF THE INTERDEPENDENCE THEME AND THE NOTION OF APPLYING  
KEYNSIAN THEORIES OF ECONOMIC DEMAND "ON WORLD SCALE,"  
IT STRIKES US THAT MOST OF THE FEATURES PRESENTED ARE  
RESTATEMENTS OF THE OFT-REPEATED IDEAS OF EC DEVELOPMENT  
COMMISSIONER CHEYSSON. THIS IS PARTICULARLY THE CASE AS  
REGARDS THE NEED TO STIMULATE EC INVESTMENT IN THE  
THIRD WORLD (SEE BRUSSELS 2150). ONE FEATURE OF THE  
SPEECH PERHAPS DESERVING PARTICULAR ATTENTION, HOWEVER,  
IS THE SUGGESTION AT THIS TIME THAT MEASURES TO ENHANCE  
EFFECTIVE LDC ECONOMIC DEMAND SHOULD BE PAIRED WITH  
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EMU TO PROVIDE THE NEEDED IMPETUS TO WORLDWIDE ECONOMIC  
RECOVERY. HINTON

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## Message Attributes

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